

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa3 to Town of Salina, NY's \$3.6M Public Improvement Refunding(Serial) Bonds, 2013

Global Credit Research - 20 Aug 2013

Maintains Aa3 rating on \$7M of parity debt including the current issue

SALINA (TOWN OF) NY
Cities (including Towns, Villages and Townships)
NY

Moody's Rating

ISSUE	RATING
Public Improvement Refunding (Serial) Bonds, 2013	Aa3
Sale Amount	\$3,555,000
Expected Sale Date	09/03/13
Rating Description	General Obligation

Moody's Outlook

Opinion

NEW YORK, August 20, 2013 --Moody's Investors Service has assigned a Aa3 rating to the Town of Salina's (NY) \$3.6 million Public Improvement Refunding (Serial) Bonds, 2013. Concurrently, Moody's has affirmed the rating on \$7 million of outstanding parity debt including the current issue. The bonds are secured by a general obligation pledge as limited by the Property Tax Cap -- Legislation (Chapter 97(Part A) of the Laws of the State of New York, 2011). Proceeds will be used to refund the town's Series 2004 and Series 2005 bonds for estimated net present value savings of 4.6%.

SUMMARY RATINGS RATIONALE

The Aa3 rating reflects the town's moderately sized tax base with average wealth levels and a significant commercial presence, adequate reserve balances, and a relatively high debt burden.

STRENGTHS:

- Adequate reserve levels
- Stable tax base

CHALLENGES:

- Narrow general fund cash position
- High debt burden including substantial note issuance

DETAILED CREDIT DISCUSSION

ADEQUATE FINANCIAL POSITION WITH AMPLE RESERVES

We expect the town's financial operations to remain stable given healthy operating reserves and a balanced financial position. The town finished fiscal 2012 with a small General Fund surplus, bringing the General Fund balance to \$779,000, or 23% of revenues. Notably, the town's overall net cash across all operating funds (General Fund, Part Town Fund, Garbage Fund, and Town Outside Village Fund) has significantly improved over the past three years ending 2012 with \$2.8 million (25.6% of revenues) from a negative \$244,000 (-2.2%

of revenues).

The town added significant reserves outside the General Fund in 2012, particularly in the highway fund, which benefitted from a mild winter. We expect some of the non-general fund reserves to be drawn down beginning next year. Substantial depletion of these reserves could place downward pressure on the town's rating going forward.

The fiscal 2013 budget included a \$1 million appropriation of fund balance, an amount the town is capable of replenishing based on historical budget outperformance. The town's primary source of revenues is property tax (77% of revenues in 2012) and is guaranteed in full by Onondaga County.

STABLE TAX BASE WITH SOME CONCENTRATION

Moody's expects the town's \$1.6 billion tax base will continue to experience modest growth given its close proximity to the City of Syracuse (G.O. rated A1, negative). Acting as a transfer point between the New York State Thruway and Interstate 81, the town has a significant commercial presence (39% of tax base) consisting of hotels, gas stations, and restaurants geared in part toward travelers across these thoroughfares.

Assessed values are equal to full values and the town has seen growth in values averaging 1.0% over the past five years, reflecting some market appreciation. As the town never experienced a housing boom, it has not seen AV declines in any year during the downturn.

Wealth levels in the town are average, and full value per capita is \$47,895.

HIGH BUT MANAGEABLE DEBT BURDEN

Moody's believes the town's debt burden will remain manageable as the town has limited additional borrowing plans. The town's direct debt burden is an above-average 1.2% of full valuation. When overlapping debt is factored in, the town's debt burden increases to 2.3%.

About \$7.5 million of this debt (1/3 of the debt burden) is related to a town landfill that required remediation pursuant to a regulatory order. The town expects the state to cover this debt over a 10-year period. The debt burden also excludes \$4.6 million of sewer debt, as the town's sewer operations are self-supporting.

Debt service accounted for an average 9.7% of expenditures in fiscal 2012. All of the town's obligations are in fixed rate mode and the town has no exposure to derivative instruments.

WHAT COULD CHANGE THE RATING - UP

- Growth in reserves
- Tax base growth or improved demographic profile

WHAT COULD CHANGE THE RATING - DOWN

- Significant increase in the town's debt burden
- Reduction of the district's financial reserve cushion

KEY STATISTICS:

2010 population (US Census data): 33,710

2012 full valuation: \$1.6 billion

Full value per capita: \$47,729

Direct debt burden: 1.2%

Overall debt burden: 2.6%

Payout of principal (10 years): 97.8%

Per capita income (as % of state): 101.2%

Median family income (as % of state): 85.1%

FY2012 General Fund balance: \$779,000 (23% of General Fund revenues)

Long-term G.O. debt outstanding: \$7.1 million

BANs outstanding: \$16.7 million

The principal methodology used in this rating was General Obligation Bonds Issued by US Local Governments published in April 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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